

27 July 2016

Professor Stephen P King
Commissioner
Human Service Inquiry Productivity Commission
Locked Bag 2, Collins Street East
Melbourne Victoria 8003

Dear Professor King

Thank you for the opportunity to contribute to the Productivity Commission (Commission) Inquiry into Human Services. Catholic Social Services Australia (CSSA) welcomes this Inquiry and acknowledges its importance in shaping the future of human service delivery in Australia. Given the scope of human services to be covered in this Inquiry the focus of our submission will be on social services.

CSSA is the Catholic Church's peak national body for social services. Our interest in this Inquiry comes from our commitment to a fairer, more inclusive Australian society that reflects and supports the dignity, equality and participation of all people. Our 56 member agencies employ around 10,000 people, with 5,900 volunteers, directly assisting some 450,000 people across 650 sites nationally and are the frontline service providers caring for and assisting the vulnerable and disadvantaged in our society.

We regard Australia's social service system as both a universal entitlement and social safety net, able to be accessed by anyone in need. We believe that our social services system is a critical part of Australia's social infrastructure which both protects vulnerable people from destitution and offers them the means through which they can reconnect with their community and participate fully in society. Our commitment toward a social services system which delivers hope, comfort, support and opportunity through the provision of services is founded in the Catholic Church's position that: "Each person must have access to the level of well-being necessary for full development" (Pontifical Council for Justice and Peace, 2004). Our social services system should not be viewed as a recurrent cost to government budgets but as an investment, which provides people in need the opportunity to fully participate in our society.

CSSA and its members have a significant interest in the outcomes of this Inquiry. CSSA supports the principles of informed choice, quality and efficiency of services which underpin this Inquiry. We believe that any recommendations arising from this Inquiry must focus on improving outcomes for the vulnerable and disadvantaged in our society. Further, any such recommendations must give priority to improving access to, and the quality of, social services available.

Notwithstanding the specific terms of reference of this Inquiry, CSSA regards the application of competition policy to social services as secondary to the primary purpose of ensuring that government investment in social service delivers quality outcomes for those who access them. The delivery of an effective and efficient social services system requires careful consideration, recognising that the system is challenged by a lack of social policy coordination between, and often amongst, State and Federal agencies, segmentation and fragmentation of services, and high levels of unmet need. These issues make it more difficult and costly to deliver holistic services which address the needs of individuals and communities. Further, this segmentation and fragmentation limits the potential for investment in preventative services which builds resilience amongst individuals and communities, and ultimately reduces demand on the social services system. Therefore any recommendations which seek to apply further competition policy principles to social services must demonstrate an overall benefit to both the social services system and those who access it.

It is CSSA's view that one of the most pressing needs in social services at present is addressing unmet demand and the inability of the vulnerable and marginalised in our communities to access the services they need, when and where they need them. In determining which social services are best suited to the application of competition policy, we believe that a precondition should be that governments, whether Federal or State, identify and fund the provision of unmet need. Clearly, fiscal prudence demands that funding unmet need occurs in the most efficient way possible and competition policy may have a role to play in achieving this goal. While the Harper Review¹ made no recommendations regarding the overall levels of funding for human services by governments, it acknowledged that "*funding levels and methods can have important implications for choice, diversity and innovation in human services markets*" [page 226]. Adequate funding of social services therefore cannot be separated from the broader question of market reform. It is our view that inadequate funding of social services will have a major bearing on the functioning, or otherwise, of any service that is subjected to the further application of competition policy.

Funding adequacy in social services has and continues to be a significant issue for providers and those seeking services. Underfunding of social services by all levels of government has resulted in ongoing and chronic unmet demand for those seeking support and services from social service providers. In its 2014 survey², ACOSS found that 43% of respondents were unable to meet service demand and that services which prioritise or target people with low incomes or specific needs have the greatest difficulty meeting demand. The survey also reported that 48% of counselling services, 72% of community legal services, 40% of family support and child protection services and 51% of accommodation services were not able to meet demand. There are implications for the rights and wellbeing of individuals unable to access social services when and where they need them and as such addressing this issue must be priority for all governments.

CSSA regards funding adequacy of social services as an issue of material significance in determining which human services are best suited to reform. Ignoring the implications of inadequate funding and unmet demand for social services will at best limit the effectiveness of competition policy in improving access to, and quality of social services, and at worst reduce access to, and quality of, these services. To impose competition policy while significant unmet demand continues to exist effectively ties the hands of service providers and risks reducing the quality of outcomes across all people in need.

While we regard funding adequacy as a critical factor for consideration in determining which services would be best suited to reform, we also wish to highlight our concern with some of the current impacts of competition policy on social services. We raise these issues not as a reason to impede reform in social services but rather to highlight some of the inherent challenges that market reform has on social service users and providers.

There is a significant body of evidence, including research undertaken by Catholic Social Services Australia and Jesuit Social Services³, which suggests that addressing entrenched social disadvantage requires long-term investment as well as a holistic approach to service delivery. People and communities living with entrenched disadvantage are often dealing with multiple and complex needs that require services and support from a range of entities, both government and non-government. It is clear from this and other research that the most effective and efficient way in which multiple and complex social needs can be addressed is through active and supportive coordination of services which put the needs of the individual or community at the centre. The lack of social policy coordination between, and often amongst, State and Federal agencies and the various government mechanisms used to fund these services, operate against this principle.

In the pursuit of accountability and contestability, governments, both State and Federal, rely on tendering processes to determine which provider is awarded a particular grant to perform a particular service. This

¹ *Competition Policy Review: Final Report*, Canberra, 2015 P226

² ACOSS, *The Australian Community Sector Survey 2014*, pp17 and p 20

³ Vinson T, Rawsthorne M, Beavis A and Ericson; *Dropping of the Edge 2015*, Jesuit Social Services and Catholic Social Services Australia 2015

pursuit is underpinned by a belief that competition between interested parties will deliver greater value for money for the government and at the same time satisfy the government's own accountability obligations. While governments rightly value the accountability of public expenditure what is often lost is a recognition that competition policy coupled with the segmentation of government social programs, works against collaboration between service providers, leading to poorer outcomes for individuals and communities. It also undermines the capacity of providers to deliver more holistic services to address entrenched social disadvantage. Further, where governments have embraced competition policy in human services and encouraged new private sector for-profit entrants, such as in aged care, employment services and childcare, there has been fragmentation of service delivery based on the profitability of client or service type, which often comes at the expense of the most vulnerable in our community. This leads to the perverse outcome of greater human and social cost, given that the most vulnerable in our community are also those with the most complex, and therefore most costly, support needs.

One of the most common observations made of private sector providers operating in social services is that they focus on service types and localities which deliver greatest profitability. There is nothing remarkable or untoward about this approach by private sector operators, however its implications for service delivery is materially significant in terms of the available resources within the social service system and the potential harm caused to the system by further fragmentation of services. Where private sector providers dominate the provision of high yield activities or areas, profits are removed from the service system by way of dividends to shareholders, whereas not-for-profit providers, as a consequence of mission and charitable purposes tend to reinvest any surplus arising back into the service system by, for example, increasing access to services in less profitable areas or investing in supplementary or allied services.

By allowing the service system to be further fragmented into activity-based components, governments inadvertently undermine the capacity of the social services system to address the needs of the individual or community as a whole. The consequence of this can be significant, especially for very vulnerable people and communities, who may lack the capacity to link the various activity offerings by a multitude of service providers. Fragmentation of services/activity offerings is particularly problematic for the elderly, people from non-English speaking backgrounds, Indigenous people, those with low levels of education as well as those who have limited capacity to navigate the social services system. We know that where the identification and navigation of support services becomes unwieldy users will often find it simpler to withdraw and not seek the support and services required to address their particular needs. Again this gives rise to more complex, and more costly, support over the medium to longer term.

It is also the case that the segmentation of social services funding coupled with changes to service delivery models, reflecting a move towards "user choice", is creating sustainability challenges for providers of universal social services. The providers of universal social services play an important role in identifying and assisting clients with multiple complex needs. As is often the case, a referral for family counselling for example may also lead to the identification of a range of other issues which impact upon the client and/or their family which we believe can be better addressed through providers operating a holistic service suite. As segmentation and fragmentation of social services increases so too does the cost of coordinating them for an individual client or group. The cost of grant applications, differential reporting and compliance obligations, and inflexibility in the use of funding limits the ability of providers to deliver holistic service offerings which benefit the client, their family and often the community as a whole.

The holistic service approach is in our view a critical element of the social service system which must be preserved. This approach is critical to maintaining a social services system which has the capacity to both respond to people in crisis and also build resilience in individuals and communities, thus minimising the dependence on the broader health and welfare systems. In 2014 the Federal government funded the community mental health and family and relationship counselling services programme. The programme delivered community mental health, family and relationship counselling services through support networks in the community and through outreach to individuals, families and communities. This delivery

model has a proven record of supporting the unique needs, culture and circumstances of individuals and families living in rural and remote communities and did so successfully by engaging in social events aimed at bringing communities together for their wellbeing which then developed into education programmes and therapeutic counselling to benefit the diversity of the rural communities. This programme allowed for, and delivered, a tailored suite of services which addressed both individual and community needs. This type of holistic support which provides immediate support as well developing broader resilience at both an individual and community level is unfortunately all too rare in social services, made more so after funding for this programme was ceased on 30 June 2016. Programmes such as these are critical to our social services system dealing with the immediate needs of individuals as well as building resilience in them and the broader community which ultimately reduces the cost to government of funding crisis services in both the social services and health systems.

We recognise the enormous challenge before the Commission in identifying which social services may benefit from further reform through the application of competition policy. It is our view that applying competition policy principles to a market which operates under a government monopsony, where governments ration access to, and funding of, services and in a context where there is huge unmet demand, will do little to improve the outcomes for those most in need in our communities. Investment in a productive and efficient social services system is critical for the wellbeing of all Australians, especially those facing entrenched disadvantage. While competition policy may play a part in this we suggest that the Commission consider carefully the application of competition policy while ever the issues of unmet need, policy and funding segmentation, and the fragmentation of social service delivery continues.

CSSA looks forward to further engaging with the Productivity Commission on this important review and responding to the Draft Report. If you have any questions about this submission please contact CSSA's Director of Economic Policy, Joe Zabar on (02) 6285 1366.

Sincerely,



Marcelle Mogg
CEO Catholic Social Services Australia